Annex 1: Charter of the Office of Audit and Investigations

**I. Introduction**

1. The UNDP Financial Regulation 4.01 stipulates that the Office of Audit and Investigations shall be responsible for the internal audit of UNDP. "It shall conduct independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing. It shall evaluate and contribute to the improvement of governance, risk management and control processes, and report thereon. The Office of Audit and Investigations shall exercise operational independence in the performance of its duties."

2. The UNDP Financial Regulation 4.02 states that the Office of Audit and Investigations shall be responsible for assessing and investigating allegations of fraud and corruption committed by UNDP personnel or committed by others to the detriment of UNDP.

3. Financial Regulation 4.03, as well as the International Standards for the Professional Practice of Internal Auditing, IPPF, stipulate that the internal audit function's purpose (mission), authority and responsibility shall be further defined in the Charter. This Charter also recognizes the mandatory nature of guidance established in IPPF.

**II. Mission of OAI**

4. The mission of OAI is to provide UNDP with an effective system of risk-based, independent and objective internal oversight that is designed to improve the effectiveness and efficiency of UNDP's operations in achieving its developmental goals and objectives through the provision of (i) internal audit and consulting services, and (ii) investigation services.

5. The internal oversight services cover all UNDP programmes, projects, operations and activities undertaken by all business units.

6. The services also cover UNDP's coordination function, interagency activities in which UNDP is involved, as well as the activities of UNDP's affiliated entities, which include the United Nations Capital Development Fund, United Nations Office for South-South Cooperation, and United Nations Volunteers. However, the investigation function in respect to United Nations Volunteers is restricted to volunteers embedded in UNDP projects.

**Ill. Internal Audit**

7. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the operations of UNDP. It helps UNDP accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

8. OAI shall undertake its internal audits in accordance with the International Standards for the Professional Practice of Internal Auditing, IPPF; the Core principles, the Code of Ethics and, the Standards and the Definition of Internal Auditing established by the Institute of Internal Auditors (IIA).

9. OAI will audit risk exposures relating to UNDP's governance, risk management and controls and will support UNDP in ensuring:

(a) achievement of the organization's strategic objectives;

(b) reliability and integrity of financial and operational information;

(c) effectiveness and efficiency of operations;

(d) safeguarding of assets; and

(e) compliance with agreements, legislative mandates, regulations and rules, policies and procedures.

OAI shall assess and make appropriate recommendations for improving the governance, risk management, and controls in the organization.

10. In order to provide the audit services efficiently and effectively, the Director shall prepare and submit for the review of the Audit and Evaluation Advisory Committee and approval of the Administrator:

(a) Every four years: An internal audit and investigation strategy covering a four-year period and aligned with the period of coverage by the UNDP Strategic Plan; and

(b) Annually: A risk-based annual work plan that is consistent with the Organization's goals and flexible and adaptable to emerging needs and issues.

11. The approval requirement does not prevent OAI from auditing any other area within the purview of its mandate, which OAI deems necessary.

12. In preparing the annual work plan, OAI shall consult with the management of bureaus and offices, the United Nations Board of Auditors, and where appropriate, other stakeholders. OAI shall apply a risk based methodology, including risks and concerns identified by management.

13. In cooperation with the Internal Audit Services of other United Nations system organizations, OAI shall initiate and participate in joint audits of inter-agency activities, including Multi Partner Trust Funds, Joint Programmes and Delivering as One Programmes.

14. OAI shall submit its audit reports to the Administrator, the Head of the Bureau concerned and the Head of the audited unit. OAI aims at submitting its final audit reports within three months after the completion of audit field work. The distribution of interagency joint audit reports shall follow the procedures described in the Framework for Joint Internal Audits of United Nations Joint Activities of the United Nations Representatives of Internal Audit Services.

15. In accordance with decision 2012/18 of the UNDP Executive Board, OAI shall make publicly available all internal audit reports. In exceptional cases, reports may be redacted, or withheld in their entirety, at the discretion of the Director of OAI.

16. In accordance with decision 2016/13 of the UNDP Executive Board, OAI shall in its annual reports issue an overall opinion, based on the scope of the work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and controls.

17. OAI shall periodically inform the Audit and Evaluation Advisory Committee and the Administrator of:

(a) Progress made in the implementation of the annual plan, changes made thereto and other issues related to the implementation of the plan;

(b) Summaries of significant and systemic audit findings; and

(c) Action taken by management on the implementation of audit recommendations.

18. OAI shall review and assess audit reports prepared by third party auditors on audits of nationally implemented projects and projects implemented by Non-Governmental Organizations ("NGO/NIM audits") and on audits of implementing partners in the context of the Harmonized Approach to Cash Transfers ("HACT audits"). OAI may review and assess any other third party audit reports related to UNDP funded activities.

**IV. Investigations**

19. OAI shall assess and conduct investigations into allegations of misconduct, such as fraud, theft and embezzlement, corruption, abuse of privileges and immunities, sexual exploitation and sexual abuse, workplace harassment and abuse of authority, retaliation on whistleblowers, or other acts or omissions in conflict with the general obligations of staff members that involve UNDP staff and other personnel.

20. OAI may assess and conduct investigations into allegations of fraud and other financial irregularities committed by vendors, implementing partners and other third parties, deemed to be detrimental to UNDP.

21. In addition, OAI may undertake proactive investigations in high risk areas that are susceptible to fraud, corruption and other wrongdoings.

22. OAI shall have sole responsibility for the conduct of all investigations within UNDP.

23. OAI shall conduct investigations in accordance with the Uniform Principles and Guidelines for Investigations endorsed by the 1Oth Conference of International Investigators, the UNDP Legal Framework for Addressing Non-Compliance with UN Standards of Conduct, the OAI Investigation Guidelines and any other applicable administrative guidance.

24. OAI reviews UNDP's social and environmental policies and procedures through a reporting mechanism to determine if investigations regarding alleged non-compliance are required.

25. The reporting, assessment, and investigation of alleged non-compliance with UNDP's social and environmental policies and procedures will be conducted in accordance with the Investigation Guidelines of OAI's Social and Environmental Compliance Unit.

26. OAI shall maintain reporting facilities (telephone hotline, web-based reporting facility, email, postal address and other means as appropriate) that function around the clock to facilitate staff, management and others to report any instances of fraud, corruption or other wrongdoings. OAI will operate separate mechanisms for the reporting of alleged non-compliance with UNDP's social and environmental policies and procedures.

27. OAI shall maintain an effective system for the recording and management of all cases.

28. OAI shall submit its investigation reports concerning UNDP staff members to the Legal Office for consideration of disciplinary or administrative action, as appropriate.

29. In cases involving contractual personnel, OAI shall submit its investigation reports to the Head of

Office concerned for administrative or other action, as appropriate.

30. For United Nations Volunteers, OAI shall submit its investigation report to the United Nations

Volunteer Advisory Panel on Disciplinary Matters for consideration of disciplinary or other action.

31. In cases where a vendor is found to have engaged in 'proscribed practices' (corrupt practice, fraudulent practice, coercive practice, collusive practice, unethical practice or obstruction), OAI shall submit its investigation report to the UNDP Vendor Review Committee for consideration of appropriate action. In cases involving governmental implementing partners, OAI shall submit its investigation report to the relevant Regional Bureau.

32. OAI shall submit its investigation reports as soon as possible, based on the priority of the case and available resources.

33. Should the investigation result in credible allegations of criminal conduct, OAI shall prepare a recommendation for referral to national law enforcement authorities, as appropriate, for criminal investigation and prosecution.

34. OAI shall also submit management letters to the Administrator and senior management on weaknesses in controls, processes, deficiencies in regulations and guidance that are identified in the course of investigations with recommendations for addressing these weaknesses and further strengthening the accountability framework in the organization.

35. Credible allegations of misconduct against UNDP senior management at the level of USG, OAI staff members and other OAI personnel will not be investigated by OAI. Any such allegations requiring an investigation will be reviewed by the Oversight Office of another UN agency or international organization appointed by the Director, OAI, following consultations with the Chair of the Audit and Evaluation Advisory Committee.

**V. Responsibility and Authority**

36. The Administrator exercises functional oversight over OAI. The Director of OAI is accountable to the Administrator for the provision of internal audit and investigation services in accordance with the provisions of the Financial Regulations and Rules and this Charter.

37. The Director of OAI shall report to the Administrator on the performance of OAI against agreed key performance indicators.

38. OAI shall independently prepare and submit to the Executive Board, after review by the Audit and Evaluation Advisory Committee, an annual report for each completed calendar year on its internal audit and investigations activity. This annual report shall also include updated information on, resources, disclosure of audit reports, significant audit findings, systemic weaknesses identified in audits, action taken by management to implement audit recommendations, investigations cases and their status and such other matters as may be requested by the Executive Board.

39. The Director of OAI shall maintain a quality assurance and improvement program that covers all aspects of the internal audit and investigations activity.

40. The Director of OAI shall be responsible for selecting and maintaining a cadre of audit and investigation staff with sufficient knowledge, skills, experience, and professional certifications in order to provide the independent and objective internal oversight services envisaged in this Charter. In addition to staff, the Director may engage consultants and experts as necessary for the performance of the functions under this Charter.

41. The Director of OAI shall engage and manage all staff and apply resources allocated to OAI in accordance with the relevant regulations, rules, policies and procedures established by UNDP.

42. OAI shall have:

(a) Free access to the organization's records, personnel and premises, as necessary, in its opinion, for the performance of its duties; and

(b) The assistance and cooperation of all UNDP personnel deemed necessary for the discharge of responsibilities under this Charter. This includes communicating directly with all levels of staff and management as well as requesting any staff member to furnish all information and explanation that are deemed necessary for the completion of any audit or investigation.

43. Management and staff shall have the responsibility to provide a written response to all OAI audit and investigation reports within a reasonable period of time.

44. The Director and staff of OAI are not authorized to:

(a) Perform any operational, managerial or supervisory duties for UNDP or its affiliates;

(b) Initiate or approve accounting transactions external to OAI; and

(c) Direct the activities of any UNDP personnel not employed by OAI, except to the extent that

such personnel have been appropriately assigned to OAI teams or to otherwise assist OAI.

**VI. Independence**

45. OAI shall exercise operational independence in the conduct of its duties. It shall be free from interference in determining the scope of its audit and investigations, performing the field work and communicating results.

46. OAI shall annually confirm to the Executive Board the organizational independence of its internal audit and investigations activity. The organizational independence of OAI is achieved when OAI reports functionally to the Administrator.

47. The Director of OAI shall be appointed for a term of five years, with the possibility of renewal once for a maximum of five years, and shall be barred from re-entry into UNDP after the expiry of his/her term. The Administrator shall consult with the Audit and Evaluation Advisory Committee on the appointment, performance evaluation, extension and dismissal of the Director of OAI.

48. The Director OAI shall have free and unrestricted access to the Executive Board and the Audit and Evaluation Advisory Committee and to the Board of Auditors.

49. The Director and staff of OAI shall abide by the United Nations Code of Conduct as well as the IIA's Code of Ethics to which they are subject to and shall at all times maintain and safeguard their independence, objectivity and professionalism in fulfilling the responsibilities assigned under this Charter.

50. The Director and staff of OAI must refrain from auditing specific operations for which they were previously responsible. Functions for which the Director and staff of OAI have responsibility shall not be audited by OAI. The Director may allow OAI staff to provide consulting services for operations they were previously responsible for.

51. The Director and staff of OAI must avoid being placed in situations which might create any conflict of interest that may impair their judgment on audit and investigation matters. The Director or staff concerned shall declare any conflict of interests or impairment that may affect their participation in an audit or investigation engagement and accordingly discharge themselves from such participation.

52. The Director of OAI shall bring to the attention of the Audit and Evaluation Advisory Committee any impairment to independence, objectivity or professionalism.

**VII. Other issues**

Resources

53. OAI shall be provided with the necessary resources, including appropriately trained and experienced professionals, in order to fulfil its responsibilities under this Charter. The budget of OAI shall be approved by the Administrator on the basis of the request submitted by the Director of OAI in accordance with the strategy and the annual work plan, after review and advice by the Audit and Evaluation Advisory Committee.

54. The Director of OAI shall keep the Audit and Evaluation Advisory Committee apprised on the funding and staffing of OAI.

Cost Reimbursable Services

55. OAI may provide internal audit and investigation services to other organizations of the United Nations system on a cost reimbursement basis. The cost of supervising and/or conducting specific audits of UNDP projects may be charged to those projects.

Coordination with the United Nations Board of Auditors

56. In planning its audits, OAI shall interact regularly with the Board of Auditors in order to optimize audit coverage and avoid duplication of assurance work. OAI shall share with the Board of Auditors information on issues of mutual interest.

Approval and revision of the Charter

57. This revised version of the Charter was reviewed and endorsed by the Audit and Evaluation Advisory Committee and has been approved by the Administrator and presented to the Executive Board.

58. The Charter shall be reviewed at least every two years, or more often, if required. Any revision shall be approved by the Administrator after consultation with the Audit and Evaluation Advisory Committee and shall be brought to the attention of the Executive Board.

Approved by the Administrator

17 October 2017

**Annex 2: Office of Audit and Investigations audit reports issued in 2019 pertaining to UNDP**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Audit Type** | **Report No.** | **Audit Subjects** | **Rating** |
| **Headquarters** |
| 1 | Performance audits | 2162 | Early Recovery Projects - Yemen | Partially Satisfactory/MI |
| 2 | 2131 | UNDP Travel Management | Partially Satisfactory/SI |
| 3 | 2130 | Resident Representative/Resident Coordinator delinking process | Satisfactory |
| 4 | 2027 | Crisis Bureau | Satisfactory |
| 5 | Headquarter audits | 2047 | Management of ICT services outsourced to ICC | Satisfactory |
| 6 | 2164 | SDG Data Management | Partially Satisfactory/SI |
| 7 | 2045 | UNDP Information Security | Partially Satisfactory/SI |
| 8 | 2120 | UNDP Treasury Management | Partially Satisfactory/MI |
| 9 | 2029 | Management of outsourced ICT services | Satisfactory |
| 10 | 2015 | ICT Governance | Partially Satisfactory/SI |
| 11 | Inter-Agency | 2031 | DaO Papua New Guinea | N/A |
| 12 | Global Fund grants | 2135 | Consolidated Report on the Audits of Sub-Recipients of Grants from Global Fund | N/A |
| 13 | 2123 | Consolidated Report on the Audits of PR of Grants for the Global Fund | N/A |
| 14 | 2034 | UNDP BPPS - HIV, Health and Development | Satisfactory |
| 15 | DIM Project | 2141 | UNCDF DIM Audit of Project - Mobile Money for the Poor | N/A |
| **Country offices** |
| **Africa** |
| 16 | Country Office | 2095 | UNDP Niger | Partially Satisfactory/SI |
| 17 | 2052 | UNDP Sierra Leone | Partially Satisfactory/SI |
| 18 | 2094 | UNDP Burkina Faso | Partially Satisfactory/MI |
| 19 | 2051 | UNDP Eritrea | Partially Satisfactory/MI |
| 20 | 2092 | UNDP Togo | Partially Satisfactory/MI |
| 21 | 2049 | UNDP Ghana | Partially Satisfactory/SI |
| 22 | 2090 | UNDP Mali | Partially Satisfactory/MI |
| 23 | 2048 | UNDP Zimbabwe | Satisfactory |
| 24 | 2089 | UNDP Cote d'Ivoire | Partially Satisfactory/SI |
| 25 | 2035 | UNDP Mozambique | Partially Satisfactory/MI |
| 26 | 2028 | UNDP Malawi | Partially Satisfactory/MI |
| 27 | Follow-up audit | 2088 | UNDP Central African Republic | N/A |
| 28 | Global Fund grants | 2091 | UNDP Burundi - Global Fund | Partially Satisfactory/SI |
| 29 | 2054 | UNDP Zimbabwe- Global Fund | Unsatisfactory |
| 30 | 1926 | UNDP Guinea Bissau - Global Fund | Partially Satisfactory/MI |
| 31 | DIM Projects | 2159 | UNDP Senegal - Programme d?Urgence de Developmt Communautaire(Project No.86871) | N/A |
| 32 | 2160 | UNDP Togo - Output 00106856 « Infrastructures & Equipements » | N/A |
| 33 | 2161 | UNDP Madagascar - Project 00103705 « Soutien au cycle electoral » | N/A |
| 34 | 2137 | UNDP Malawi- Project 00100113; Output00103222 National Identification System | N/A |
| 35 | 2138 | UNDP Sierra Leone- Project 00095468; Output no. 00099474 Supp National Elect Com | N/A |
| 36 | 2145 | UNDP Zambia- Project 00101751; Output 00104048 Construction of MSL warehouse | N/A |
| **Asia and the Pacific** |
| 37 | Country Office | 2087 | UNDP Philippines | Partially Satisfactory/SI |
| 38 | 2086 | UNDP PNG | Partially Satisfactory/MI |
| 39 | 2085 | UNDP Mongolia | Satisfactory |
| 40 | 2083 | UNDP Cambodia | Satisfactory |
| 41 | 2082 | UNDP Pakistan | Partially Satisfactory/SI |
| 42 | 2038 | UNDP India | Partially Satisfactory/SI |
| 43 | 2008 | UNDP Sri Lanka | Partially Satisfactory/SI |
| 44 | Global Fund grants | 2100 | UNDP Iran - Global Fund | Partially Satisfactory/SI |
| 45 | DIM Projects | 2107 | UNDP Indonesia - Institutional setup of Peat Restoration Agency (Proj No. 96630) | N/A |
| 46 | 2104 | UNDP Philippines - Accelerating BUB through I&E Governance (Proj No. 94900) | N/A |
| 47 | 2105 | UNDP Philippines - DSS 2016 K to 12 Basic Education Program (Proj No. 95022) | N/A |
| 48 | 2106 | UNDP Philippines - Support to Peacebuilding & Normalization (Proj No. 107421) | N/A |
| 49 | 2103 | UNDP Bangladesh - National Urban Poverty Reduction Program (Proj No. 84928) | N/A |
| **Arab States** |
| 50 | Country Office | 2060 | UNDP Libya | Partially Satisfactory/MI |
| 51 | 2037 | UNDP Kuwait | Partially Satisfactory/SI |
| 52 | 2036 | UNDP Bahrain | Unsatisfactory |
| 53 | 2011 | UNDP Iraq | Partially Satisfactory/MI |
| 54 | 1927 | UNDP Morocco | Partially Satisfactory/SI |
| 55 | 2010 | UNDP Yemen | Partially Satisfactory/MI |
| 56 | DIM Projects | 2150 | UNDP Sudan - Procurement Support Services (00095107 - 00099137) | N/A |
| 57 | 2146 | UNDP Iraq - Support to Security Sector Ref (00088597 - 00095175) | N/A |
| 58 | 2147 | UNDP Iraq - Fund Facility for Stabilization (00089459 - 00095684) | N/A |
| 59 | 2148 | UNDP Iraq - Support to Post-Conflict Recon (00100485 - 00103425) | N/A |
| 60 | 2149 | UNDP Iraq - ICRRP (00085156 - 00105112, 00105146) | N/A |
| 61 | 2069 | UNDP PAPP - Supporting the Rule of Law (00057409 - 00077024) | N/A |
| 62 | 2066 | UNDP PAPP - PAL/KFW - V (00041098 - 00093278) | N/A |
| 63 | 2078 | UNDP Syria - Emerg Sup to Critical Sec (00086567 - 00099249) | N/A |
| 64 | 2079 | UNDP Syria - Rehabilitation & Foster (00104846 - 00108835) | N/A |
| 65 | 2139 | UNDP Somalia- Project 00085376; Output 00093046 Joint Programme on Youth Emplo | N/A |
| 66 | 2140 | UNDP Somalia- Project 00085379; Output 00096643 Som Capacity Development (SIP) | N/A |
| 67 | 2143 | UNDP Somalia- Project 00099032; Output 00108659 Constitution Review Support | N/A |
| 68 | 2144 | UNDP Somalia- Project 00107518; Output 00107800 Electoral Support Project II | N/A |
| 69 | 2080 | UNDP Yemen - Emergency Mine Action (00099753 - 00103025) | N/A |
| 70 | 2071 | UNDP PAPP - Productivity and Urban Renewal (00087585 - 00094044) | N/A |
| 71 | 2072 | UNDP PAPP - Right to Education in Gaza (00087840 - 00094739) | N/A |
| 72 | 2073 | UNDP PAPP - Right to Education in JRS II (00099472 - 00102751) | N/A |
| 73 | 2067 | UNDP PAPP - PAL/Construction of Treatment (00041529 - 00047395) | N/A |
| 74 | 2070 | UNDP PAPP - Communitry Resilience & Dev. P (00069435 - 00084013) | N/A |
| 75 | 2068 | UNDP PAPP - PAL/ Construction of 300 Hous (00042831 - 00099288) | N/A |
| **Europe and CIS** |
| 76 | Country Office | 2042 | UNDP Turkey | Satisfactory |
| 77 | 2059 | UNDP Bosnia and Herzegovina | Satisfactory |
| 78 | 2050 | UNDP The Former Yugoslav Republic of Macedonia | Satisfactory |
| 79 | 2057 | UNDP Azerbaijan | Partially Satisfactory/SI |
| 80 | 2056 | UNDP Kazakhstan | Satisfactory |
| 81 | DIM Projects | 2061 | UNDP Ukraine - Procurement Support Services (00090474) | N/A |
| 82 | 2077 | UNDP R.N. Macedonia - Municipal Councils 2 (00090463 - 00096214) | N/A |
| 83 | 2064 | UNDP Moldova - Support Local Development (00089235 - 00097628) | N/A |
| 84 | 2065 | UNDP Moldova - Palanca Joint Border Crossing (00080744 - 00090325) | N/A |
| 85 | 2076 | UNDP Kyrgyzstan - Active Citizenship and Account (00098320 - 00101685) | N/A |
| 86 | 2074 | UNDP BiH - Municipal Governance (00080522 - 00090162) | N/A |
| 87 | 2075 | UNDP BiH - Social Inclusion in Local Comm (00080525 - 00090164) | N/A |
| 88 | 2062 | UNDP Tajikistan - Strengthening Disaster Risk Re (00089898 - 00095938) | N/A |
| 89 | 2063 | UNDP Tajikistan - Access to Justice, Phase II (00094331 - 00098445) | N/A |
| **Latin America & the Caribbean** |
| 90 | Country Office | 2043 | UNDP Brazil | Satisfactory |
| 91 | 2041 | UNDP Guatemala | Satisfactory |
| 92 | 2040 | UNDP Paraguay | Partially Satisfactory/SI |
| 93 | 2039 | UNDP Dominican Republic | Partially Satisfactory/SI |
| 94 | 2033 | UNDP Jamaica | Satisfactory |
| 95 | 2013 | UNDP Honduras | Partially Satisfactory/SI |
| 96 | DIM Projects | 2128 | UNDP Colombia - Empleabilidad Victimas Rurales | N/A |
| 97 | 2129 | UNDP Colombia - Paz Sostenible | N/A |
| 98 | 2125 | UNDP Peru - Mejoramiento Mercado de Belen | N/A |
| 99 | 2126 | UNDP Peru - Strengthening of Qali Warma 2 | N/A |
| 100 | 2127 | UNDP Paraguay - Fortalecimiento Institucional de la DGPP/MEC | N/A |

**Annex 3: Recommendations unresolved for 18 months or more as of 31 December 2019**

|  |  |  |  |
| --- | --- | --- | --- |
| **Audit ID/Title Issue Date** | **Title of Audit Issue** | **Recommendation (Priority)** | **No. of months unresolved** |
| 1895/Government Cost Sharing Management 19 January 2018 | Limited capacity to design and manage infrastructure projects | The Bureau for Policy and Programme Support should develop a manual for implementing construction projects, which should include both the type and composition of technical teams, the quality of design, requirements, and appropriate tools to be used. (High) | 23 |
| 1895/Government Cost Sharing Management 19 January 2018 | UNDP finance and procurement tools not integrated | The Bureau for Management Services should consider integrating the ACP Online platform with the Atlas Project Module, Atlas Finance Module, and the upcoming Atlas Contract Management Module. (High) | 23 |
| 1911/Regional Bureau for Latin America and the Caribbean 11 May 2018 | Insufficient resources mobilized for the Regional Programme | The Regional Bureau for Latin America and the Caribbean should map and develop donor-specific action plan, and clearly allocating responsibilities. This should include drafting proposals for pipeline projects classified under Class "C" (Medium) | 19 |
| 1911/Regional Bureau for Latin America and the Caribbean 11 May 2018 | Regional Hub premises not meeting standards for health and safety | The Regional Bureau for Latin America and the Caribbean should expedite the process of relocating to an alternate building that ensures the safety and well-being of staff. (Medium) | 19 |
| 1912/UNDP Clustering Process 1 June 2018 | Criteria for successful clustering not adequately defined | The Bureau for Management Services should develop a comprehensive list of KPIs, baselines and targets for tracking continuous process improvement and client satisfaction. These should be monitored on an ongoing basis and reported to clients. (Medium) | 18 |
| 1912/UNDP Clustering Process 1 June 2018 | Absence of clear costing methodology for services provided to COs | As part of the overall project planning for the next steps of the clustering process, the Bureau for Management Services should clearly articulate and communicate the costing approach and methodology to be used for the provision of clustered services. (Medium) | 18 |
| 1912/UNDP Clustering Process 1 June 2018 | Poorly defined role of Global Shared Services Unit | The Bureau for Management Services should, in its submission to the Executive Group, define the role of the GSSU and ensure that it has the right capacity to support the corporate clustering. (High) | 18 |
| 1912/UNDP Clustering Process 1 June 2018 | Inadequate ICT tools | The Bureau for Management Services should address the identified weaknesses in the submission and processing of requests, integration with other systems, and reporting. (Medium)  | 18 |
| 1912/UNDP Clustering Process 1 June 2018 | Number of transactions per GSSU staff can be increased | With the completion of the financial clustering in the Regional Bureau for Asia and the Pacific, the Bureau for Management Services should update its time-motion study to identify how it can improve staff utilization. (Medium) | 18 |
| 1912/UNDP Clustering Process 1 June 2018 | Lapses in business process re-engineering | The Bureau for Management Services should undertake a thorough review of current SOPs and relevant business processes across all areas of financial clustering to streamline the process and to remove unnecessary overlaps and duplications. Additionally, areas such as external access to Atlas and the use of E-invoicing should be explored further. (High) | 18 |

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| **Annex 4: Details of eight recommendations withdrawn in 2019** |
|  |  |  |  |
| **Audit ID/TitleIssue Date** | **Title of Audit Issue (Priority)** | **Recommendation** | **OAI Assessment** |
| 1818/UNDP Senegal - Programme d'Urgence de Develop No. 86871 18 August 2017 | Withholding tax not done | Since UNDP does not have a tax registration and based on the provisions of the signed contract, the project should ensure to obtain the proof of payment of withholding tax by the service provider prior to the payment of the services. | Recommendation was considered non-applicable following guidance from the UNDP Legal Office. |
| 1913/UNDP Samoa 26 April 2018 | Corp issue: UNDP Multi-Country representational structure and cost implications | The Regional Bureau for Asia and the Pacific should review the clustering of countries under the jurisdiction of the Samoa and Fiji Multi-Country Offices with the view of providing a sustainable base to both Multi-Country Offices. | The recommendation was withdrawn following a change of circumstances. |
| 1914/UNDP Peru 27 April 2018 | Risks from contractual issues not addressed | The Office should address the legal issues noted with the support of the Regional Bureau for Latin America and the Caribbean by:(a)ensuring that the privileges and immunities of UNDP as well as UNDP?s rules and regulations are acknowledged in the Country; (b)considering a combined support mission with members of the UNDP Bureaux for Management Services, External Relations and Advocacy, to address the issues under item a at the highest level possible; and,(c)ensuring that Country Office support to national implementation is provided through the standard Letters of Agreement cleared by the Legal Office. | The Regional Bureau and the Office’s management accepted the residual risk. |
| 1980/Post - 2015 Development Platform - Digital Good Project (Project ID 86947) 27 June 2018 | Challenges in managing donor expectations and relations | The Regional Bureau for Arab States should collaborate with the Bureau for External Relations and Advocacy to develop and implement action points on how to manage specific concerns raised by the Donor in phase 1 of the Project should the Project continue into phase 2 of implementation. | The Project was closed with no second phase; therefore, the recommendation was no longer applicable. |
| 1980/Post - 2015 Development Platform - Digital Good Project (Project ID 86947) 27 June 2018 | Inter-Bureau Working Group not established | The Bureau for External Relations and Advocacy should establish the Inter-Bureau Working Group with clear terms of reference should the Project be funded for phase 2 of its implementation. | The Project was closed with no second phase; therefore, the recommendation was no longer applicable. |
| 1987/UNDP Ukraine 16 august 2018 | Weakness in the United Nations Partnership Framework | The Office should follow up with the Resident Coordinator Office to enhance implementation of the United Nations Partnership Framework by: (a) developing a United Nations Annual Results report to be shared and discussed with the Government on an annual basis; and (b) through consultation with the relevant United nations agencies and the United Nations Development Group, reaching an agreement on the inclusion of legal clauses covering resource mobilization and the commitment of the Government within the United Nations Partnership Framework. | Recommendation was considered no longer applicable following Resident Coordinator function delinking from UNDP. |
| 1991/UNDP Iran 6 September 2018 | Inadequate Government Contributions to Local Office Costs | RBAP should coordinate the effort to collect Government Contributions to Local Office Costs, through the following actions:(a) RBAP in coordination with the Resident Coordinator should advice urgently on the distribution scheme among UN agencies so as to provide final certainty on this lingering issue; and(b) RBAP in coordination with the Office of Finance and Resource Management should determine how to implement the GLOC agreement with the government, relative to future years once the allocation/sharing issue among UN agencies has been settled. | The Regional Bureau and the Office’s management accepted the residual risk. |
| 2010/UNDP Yemen 4 January 2019 | Weaknesses in financial oversight and controls over payments | The Office should improve its financial oversight and control over payments of allowances by, on a sample basis, matching the staff names in the timesheets and in the UNDP pre-agreed list prior to making payments. | The original recommendation was withdrawn as it was no longer considered applicable given the security situation within the Yemen context; alternative controls were implemented. |

**Annex 5: Summary of substantiated investigation cases in 2019, by type of allegation**

|  | **Regional Bureau** | **Allegation** | **Estimated Loss to UNDP[[1]](#footnote-1)[[2]](#footnote-2)** | **Report sent to** | **Status** |
| --- | --- | --- | --- | --- | --- |
|  | ***Entitlements Fraud*** |
| 1 | Africa (Other UN Agency) | Staff member allegedly colluded with a medical center to submit fraudulent claims for reimbursement of medical expenses. | $4,407.40 | LO | Under review. |
| 2 | Service contractor allegedly colluded with a medical center to submit fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
| 3 | Service contractor allegedly colluded with a medical center to submit fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
| 4 | Arab States | Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
| 5 | Asia and the Pacific | Service contractor allegedly submitted fraudulent claims for reimbursement of medical expenses. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
|  | ***Improper Recruitment*** |
| 6 | Africa | Staff member allegedly assisted three candidates during their respective recruitment processes by either sharing interview questions with them, discussing possible answers to the questions, preparing their CVs, or guaranteeing that they be shortlisted. | No financial loss to the Organization. | LO | Subject resigned after the completion of the investigation.Under review pursuant to Art. 73 of the UNDP Legal Framework. |
| 7 | Africa (Other UN Agency) | Former international UNV and current staff member allegedly favored a candidate during a recruitment process by among other things assisting him with his CV and pre-sharing an interview question and answer.  | No financial loss to the Organization. | APDM | Subject was issued a letter of censure that was placed in both his UN Volunteer file and his Official Status File. |
| 8 | Arab States (Other UN Agency) | Staff member allegedly colluded with another staff member to improperly influence a recruitment process in favor of a candidate. | No financial loss to the Organization. | Other UN Agency | Under review. |
| 9 | Staff member allegedly colluded with another staff member to improperly influence a recruitment process in favor of a candidate. | No financial loss to the Organization. | Other UN Agency | Under review. |
|  | ***Misrepresentation, forgery and false certification*** |
| 10 | Africa | Staff member allegedly modified the content of an email with an intention to mislead. | No financial loss to the Organization. | LO | Subject received charge letter. |
| 11 | Africa (Other UN Agency) | Service contractor allegedly colluded with another service contractor to forge signatures onto two travel authorization forms. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
| 12 | Service contractor allegedly colluded with another service contractor to forge signatures onto two travel authorization forms. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
| 13 | Arab States | Staff member allegedly submitted two fraudulent medical certificates in support of her certified sick leave application. | Amount unknown. | LO | Under review. |
| 14 | Arab States | Vendor allegedly submitted fraudulent documents during a procurement process. | No financial loss to the Organization. | VRC | Vendor and its agent were debarred for 12 months. |
| 15 | Vendor allegedly submitted fraudulent bid securities in more than one procurement process. | No financial loss to the Organization. | VRC | Vendor and its agent were debarred for 12 months. |
| 16 | Prospective vendor allegedly submitted fraudulent financial statements during a procurement process. | No financial loss to the Organization. | VRC | Vendor and its agent were debarred for 19 months. |
| 17 | Vendor allegedly submitted a fraudulent supporting document during a procurement process. | No financial loss to the Organization. | VRC | Vendor and its agent were debarred for 32 months. |
| 18 | Vendor allegedly submitted fraudulent documents during two procurement processes. | No financial loss to the Organization. | VRC | Under review. |
| 19 | Asia and the Pacific | Staff member allegedly provided misleading and false statements to a UN administrative tribunal during judicial proceedings. | No financial loss to the Organization. | Legal Office of Other UN Agency (due to conflict of Interest) | Under review. |
| 20 | HQ | Individual contractor was allegedly assisted by a colleague when completing a written assignment for a competitive procurement process. | No financial loss to the Organization. | Other UNDP Office | Subject’s contract was not renewed. |
| 21 | Staff member allegedly failed to declare their prior criminal history during several recruitment processes. | No financial loss to the Organization. | LO | Staff member was dismissed. |
|  | ***Misuse of Official Resources*** |
| 22 | Africa | Staff member allegedly manipulated their son's school reports, misused UNDP resources by sending the reports to a UNDP vendor so that it could assist in manipulating the documents, attempted to obstruct the investigation by concealing procurement files related to the aforementioned vendor, and made false statements to investigators. | No financial loss to the Organization. | LO | Staff member was separated from service with no termination indemnity. |
| 23 | HQ | Former individual contractor allegedly misused official resources to systematically gather confidential information, leaked said information to a third party and failed to fully cooperate with the investigation. | No financial loss to the Organization. | Other UNDP Office | Subject resigned before the completion of the investigation. |
|  | ***Other failure to comply with obligations*** |
| 24 | Africa | Former staff member allegedly favored vendors during procurement processes, shared confidential information related to procurement processes with third parties, failed to disclose conflict of interest situations, used position to include former colleagues and close friends in a roster, violated post-employment restrictions, exerted undue influence over former UNDP colleagues and decision-making parties after retirement, and misrepresented their intention to relocate in order to obtain a repatriation grant. | $18,000 | LO | Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 25 | UNV and former individual contractor allegedly received interview questions for an upcoming interview from a staff member and discussed possible answers to the questions with them. | No financial loss to the Organization. | APDM | APDM decided the facts did not warrant taking action as the subject was not a UNV at the time of the misconduct. |
| 26 | Arab States (Other UN Agency) | Staff member allegedly negotiated a deal between a government and a private oil company with the help of another staff member and was engaged in several businesses with companies which at times held UN contracts. | No financial loss to the Organization | Other UN Agency | Under review. |
| 27 | Staff member allegedly negotiated a deal between a government and a private oil company with the help of another staff member and was engaged in several businesses with companies which at times held UN contracts. | No financial loss to the Organization. | Other UN Agency | Under review. |
| 28 | Asia and the Pacific | Former staff member allegedly carried out unauthorized employment whilst employed by UNDP. | No financial loss to the Organization. | LO | Subject separated from the Organization after his contract expired.A letter was placed in the staff member’s file pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 29 | Europe and the CISEurope and the CIS | Service contractor allegedly received assistance from a staff member to complete the required written assignments for two recruitment processes at a UN organization. | No financial loss to the Organization. | CO | Subject received a reprimand and a written warning. |
| 30 | Staff member allegedly assisted a friend in completing the required written assignments for two UN recruitment processes. | No financial loss to the Organization. | LO | Staff member was separated from service with compensation in lieu of notice and with four months of termination indemnities. |
| 31 | Former individual contractor allegedly provided unauthorized assistance to a national police officer in a buffer zone. | No financial loss to the Organization. | CO | Subject’s contract expired before the completion of the investigation. |
| 32 | Europe and the CIS (Other UN Agencies) | Staff member allegedly leaked internal information and lobbied external parties to prevent the creation of a new post in their office. | No financial loss to the Organization. | LO | Under review. |
| 33 | Latin America and the Caribbean | Staff member allegedly engaged in outside employment while employed at UNDP. | No financial loss to the Organization. | LO | Under review. |
|  | ***Procurement Fraud*** |
| 34 | Africa | Vendor allegedly paid a UNDP service contractor to request material for a project in excess of what was needed and was consequently overpaid. | Amount unknown. | VRC | Under review.Vendor received an interim suspension while the case is reviewed. |
| 35 | Vendor allegedly submitted a fraudulent document during a procurement process. | No financial loss to the Organization | VRC | Under review. |
| 36 | Africa (Other UN Agency)Africa (Other UN Agency) | Vendor allegedly offered a bribe to a staff member to obtain a contract from a UN agency. | No financial loss to the Organization. | Other UN Agency | Other UN Agency opened case for investigation. |
| 37 | Vendor allegedly offered to a UNDP staff member to supply unnecessary material to a UN agency for a commission and colluded with the staff member to commit procurement fraud and inflate invoices to submit to the UN agency. | No financial loss to the Organization. | Other UN Agency | Other UN Agency opened case for investigation. |
| 38 | Vendor allegedly colluded twice with a UNDP staff member to commit procurement fraud at a different UN agency. | No financial loss to the Organization. | Other UN Agency | Other UN Agency opened case for investigation. |
| 39 | Arab StatesArab StatesArab StatesArab States | Vendor allegedly provided fraudulent payment sheets and did not pay its workers and supervisors the amount required by their UNDP contract. | Amount unknown. | VRC | Under review. |
| 40 | Vendor allegedly submitted fraudulent documents during multiple procurement processes. | No financial loss to the Organization. | VRC | Under review. |
| 41 | Prospective vendor allegedly submitted a fraudulent bid security during a bidding process. | No financial loss to the Organization. | VRC | Under review. |
| 42 | Vendor allegedly submitted several fraudulent documents during two procurement processes. | No financial loss to the Organization. | VRC | Under review.Vendor received an interim suspension while the case is reviewed. |
| 43 | Former service contractor allegedly colluded with another former service contractor to fabricate bid submission documents and manipulate procurement processes that favored a family member and a friend. | No financial loss to the Organization. | CO | Subject's contract was terminated before the completion of the investigation. |
| 44 | Former service contractor allegedly colluded with another former service contractor to fabricate bid submission documents and manipulate procurement processes. | No financial loss to the Organization. | CO | Subject's contract was terminated before the completion of the investigation. |
| 45 | Vendor allegedly colluded with two staff members to commit procurement fraud, which resulted in it being awarded at least three contracts with UNDP. | No financial loss to the Organization. | VRC | Under review.Vendor received an interim suspension while the case is reviewed. |
| 46 | Vendor allegedly submitted fraudulent financial statements during two procurement processes. | No financial loss to the Organization. | VRC | Vendor and its agent were debarred for 19 months. |
| 47 | Vendor allegedly submitted fraudulent documents during two procurement processes. | No financial loss to the Organization. | VRC | Vendor was debarred for 19 months. |
| 48 | Vendor allegedly colluded with two staff members to commit procurement fraud, which resulted in it being awarded contracts with UNDP. | No financial loss to the Organization. | VRC | Under review.Vendor received an interim suspension while the case is reviewed. |
| 49 | Vendor allegedly received internal pricing information from an unknown source, which it used to complete its UNDP tender submission. | No financial loss to the Organization. | VRC | Under review.Vendor received an interim suspension while the case is reviewed. |
| 50 | Vendor allegedly submitted fraudulent bid securities during two procurement processes. | No financial loss to the Organization. | VRC | Vendor and its agent were debarred for 12 months. |
| 51 | Vendor allegedly submitted fraudulent financial statements during two procurement processes. | No financial loss to the Organization. | VRC | Vendor received a letter of censure.  |
| 52 | Vendor allegedly submitted fraudulent financial documents during multiple bidding processes and subcontracted work twice without UNDP’s authorization. | No financial loss to the Organization. | VRC | Vendor and its agent were debarred for 30 months. |
| 53 | Vendor allegedly submitted two fraudulent documents during a procurement process. | No financial loss to the Organization. | VRC | Under review.Vendor received an interim suspension while the case is reviewed. |
| 54 | Vendor in a joint venture allegedly submitted a fraudulent performance guarantee during a procurement process. | No financial loss to the Organization. | VRC | Under review. |
| 55 | Vendor allegedly submitted fraudulent documents during multiple procurement processes. | No financial loss to the Organization. | VRC | Under review.Vendor received an interim suspension while the case is reviewed. |
| 56 | Vendor in a joint venture allegedly submitted fraudulent bid securities and performance guarantees during a procurement process. | No financial loss to the Organization. | VRC | Under review. |
| 57 | Vendor allegedly submitted a fraudulent document during a bidding process. | No financial loss to the Organization. | VRC | Under review.Vendor received an interim suspension while the case is reviewed. |
| 58 | Former UNDP service contractor allegedly colluded with a UNDP vendor to conceal that fraudulent bid securities had been submitted during a procurement process. | No financial loss to the Organization. | Other UN Agency  | Under review. |
| 59 | Asia and the Pacific | Vendor allegedly belonging to two staff members submitted fraudulent documentation and was awarded multiple contracts as a result of tampered procurement processes in its favor. | Amount unknown. | VRC | Under review. Vendor received an interim suspension while the case is reviewed. |
| 60 | Vendor allegedly owned by a UNDP service contractor participated in and won several procurement processes conducted by its owner. | Amount unknown. | VRC | Under review. Vendor received an interim suspension while the case is reviewed. |
| 61 | Europe and the CISEurope and the CIS | Vendor and individual contractor, who was formerly a staff member, allegedly colluded with multiple UNDP personnel to be awarded contracts, employed a UNDP staff member to work on tasks it had been contracted to do by UNDP, purchased and offered plane tickets to said staff member, and obstructed the investigation. | No financial loss to the Organization. | VRC | Under review. Vendor and individual contractor received an interim suspension while the case is reviewed. |
| 62 | Individual contractor allegedly failed to declare outside professional activities and to disclose that he had a personal and professional relationship with two individuals during their respective recruitment processes for UNDP consultancies. | No financial loss to the Organization. | VRC | Under review. |
| 63 | Five vendors allegedly colluded together and with UNDP personnel during multiple procurement processes to ensure that one vendor be awarded the contract. | No financial loss to the Organization. | VRC | Under review. |
| 64 | Two vendors allegedly colluded together to commit procurement fraud to ensure that one vendor was awarded the contract. | No financial loss to the Organization. | VRC | Under review. |
| 65 | HQ | Individual contractor allegedly placed themselves in a conflict of interest situation during a procurement process and favored a candidate. | No financial loss to the Organization. | Other UNDP Office | Subject’s contract expired. |
|  | ***Retaliation against whistleblowers*** |
| 66 | Africa (Other UN Agency) | Staff member allegedly retaliated against another staff member for submitting two complaints against him.  | No financial loss to the Organization. | Ethics Office | Allegations were not substantiated. |
|  | ***Sexual Assault*** |
| 67 | Africa | Service contractor allegedly uncovered a patient's breasts and attempted to conduct an unnecessary medical procedure that involved touching the person’s genitalia during a medical examination. | No financial loss to the Organization. | CO | Subject’s contract was terminated. |
|  | ***Sexual exploitation and abuse*** |
| 68 | Asia and the Pacific | UN Volunteer allegedly asked his real estate agent to assist them in finding a local girlfriend that he could pay. | No financial loss to the Organization. | APDM | Subject received a letter of censure. |
| 69 | Individual contractor allegedly exchanged food, beer and transportation money for sexual relations with nationals. | No financial loss to the Organization. | CO | Under review. |
|  | ***Sexual Harassment*** |
| 70 | HQ | Staff member allegedly looked at pornographic images during a workshop that they attended on behalf of UNDP. | No financial loss to the Organization. | LO | Subject was exonerated from the allegations. |
| 71 | Latin America and the Caribbean | Staff member allegedly addressed a colleague inappropriately on several occasions, made unwelcome physical contact towards them, and belittled their complaint in front of others. | No financial loss to the Organization. | LO | Subject received charge letter. |
| 72 | Asia and the Pacific | Former service contractor allegedly made unwanted romantic advances towards a colleague, and following their refusal, removed them from a project. | No financial loss to the Organization. | CO | Subject resigned before the completion of the investigation. |
| 73 | Former staff member allegedly developed several close and personal relationships with junior colleagues, influenced their recruitment processes and favored them in the Office. | No financial loss to the Organization. | LO | Subject resigned before the completion of the investigation. Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 74 | Arab States (Other UN Agency) | Staff member allegedly engaged in improper and unwelcome physical contact with three colleagues. | No financial loss to the Organization. | LO | Under review. |
|  | ***Theft and embezzlement*** |
| 75 | Africa | Staff member allegedly kept surplus funds returned to them by UN personnel and concealed her acts by manipulating financial reports and submitting fraudulent supporting documentation. | Amount unknown. | LO | Subject received a charge letter. |
| 76 | Africa (Other UN Agency) | Staff member allegedly misused fuel cards to withdraw funds from gas stations. | No financial loss to the Organization. | LO | Under review. |
| 77 | Former staff member allegedly colluded with another staff member to remove several ICT items belonging to a UN agency for their personal use. | No financial loss to the Organization. | LO | Subject resigned before the completion of the investigation. Under review pursuant to Art. 72(a) of the UNDP Legal Framework. |
| 78 | Arab States | Former staff member allegedly conducted several fraudulent procurement processes, falsified and fabricated documentation, misappropriated funds, and diverted fraudulently procured assets for them benefit, their family's benefit and the benefit of third parties. | $846,900 | Other UN Agency | Subject was terminated. |
|  | ***Workplace Harassment*** |
| 79 | Asia and the Pacific (Other UN Agency) | Staff member allegedly aggressively yelled at and threatened two colleagues in the workplace. | No financial loss to the Organization. | LO | Under review. |
| 80 | HQ (Other UN Agency) | UN agency staff member allegedly embarrassed a junior team member at a professional event and engaged in a pattern of verbally abusive and aggressive behavior towards the junior team member prior, during and after a team meeting. | No financial loss to the Organization. | Other UN Agency | Under review. |

**Annex 6: Criteria supporting OAI opinion**

1. In accordance with Executive Board decisions 2015/13 of June 2015, 2016/13 of June 2016, and 2019/2 of October 2018, OAI provides an opinion in its annual report, based on the scope of work undertaken, on the adequacy and effectiveness of the organization’s framework of governance, risk management and control (GRC). The summary of the audit work performed is provided in the body of the annual report, under chapter IV. This annex provides a description of the criteria used and analysis to support the OAI opinion.
2. The OAI opinion is based on the following results:
	1. audits of UNDP country offices;
	2. audits of UNDP headquarters functions or units;
	3. audits of UNDP activities funded by the Global Fund;
	4. audits of UNDP directly implemented projects (DIMs);
	5. OAI’s review of audits of UNDP projects executed by non-governmental organizations and/or national governments (NGO/NIM);
	6. the implementation rate for internal audit recommendations, including long-outstanding recommendations; and
	7. Management Letters relating to investigations.
3. The distribution of 2019 audit results regarding the adequacy and effectiveness of GRC at the audited entity level is presented in figure 19 in document DP/2020/16, which shows the distribution of the number of audit reports that were issued by OAI in 2019 by type of audit rating: ’satisfactory’, ‘partially satisfactory/some improvement needed’, ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’.
4. In addition, the audit results are aggregated using the amount of expenditure reported in the audit reports issued in 2019. The result of this aggregation is then grouped by the four levels of audit ratings used by OAI: ‘satisfactory’, ‘partially satisfactory/some improvement needed’, ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’.

**Table 1: Distribution of ratings per audited expenditure per country office, Global Fund and headquarters audits**

**(excluding DIMs, NGO/NIM and inter-agency audited expenditure)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rating** | **Audited expenditure****$** | **Distribution for reports issued in 2019****%** |  **Distribution for reports issued in in 2018****%** |
| Satisfactory | *422,746,822* | *17.4* | *29.1* |
| Partially satisfactory/some improvement needed | *721,403,812* | *29.74* | *42.4* |
| Partially satisfactory/major improvement needed | *1,144,838,527* | *47.2* | *23.6* |
| Unsatisfactory | *136,900,000* | *5.6* | *4.9* |
| ***Total*** | ***2,425,889,161*** | ***100*** | ***100*** |

1. Adjustments were made in the aggregation of expenditure for the DIM projects and the review of audits of projects executed by NGOs/NIM. The adjustments were as follows:
	1. The scope of the DIM audits focused mainly on the financial certification of expenditures. Therefore, the audits do not directly assess the GRC aspects of projects in UNDP. Nonetheless, they do give indirect assurance about UNDP GRC. To this effect, OAI converted the audit opinions rendered into OAI ratings using defined criteria[[3]](#footnote-3) and estimated that the results of the DIM financial audits give 50 per cent assurance about UNDP GRC. For the purposes of the current calculation, OAI excluded audited expenditures related to UNCDF DIM project audits. The calculated total net financial misstatement in 2019 was $10.6 million or 1.7 per cent of the total audited expenditure ($619.4 million) compared to $45.4 million in 2018 or 8.6 per cent of the total audited expenditure ($528.1 million).

**Table 2: Distribution of ratings per DIM audited expenditure (weighted at 50 per cent)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rating** | **DIM** **adjusted audited expenditure****$** | **Distribution for reports issued in 2019****(%)** | **Distribution for reports issued in 2018****(%)** |
| Satisfactory | 290,678,830 | 93.9 | 80.6 |
| Partially satisfactory/some improvement needed1 | 0 | 0 | 2.3 |
| Partially satisfactory/major improvement needed1 | 0 | 0 | 0.4 |
| Unsatisfactory | 19,009,234 | 6.1 | 16.7 |
| ***Total*** | ***309,688,064*** | ***100*** | ***100*** |

* 1. OAI’s review of audits of UNDP projects executed by NGO/NIM

The NGO/NIM financial audits focus, like the DIM financial audits, was on the financial certification of expenditure. They primarily reflect on how well the implementing partner is managing financial resources. Nonetheless, the NGO/NIM audits indirectly offer partial assurance about how well UNDP monitors these implementing partners, in other words, how well the UNDP GRC is managed in regard to NGO/NIM implementing partners. Consequently, OAI estimated that the results of the NGO/NIM financial audits offer 25 per cent assurance about UNDP GRC (refer to table 3).

**Table 3: Distribution per NGO/NIM audited expenditure (weighted at 25 per cent)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rating** | **NGO/NIM adjusted audited expenditure****$** | **Distribution****(%)** | **Prior year Distribution** **(%)** |
| Satisfactory | 121,188,782 | 42.3 | 79.0 |
| Partially satisfactory/some improvement needed[[4]](#footnote-4) | 55,630,421 | 19.4 | 9.8 |
| Partially satisfactory/major improvement needed2 | 55,630,421 | 19.4 | 9.8 |
| Unsatisfactory | 53,911,251 | 18.8 | 1.4 |
| ***Total*** | ***286,360,875*** | ***100*** | ***100*** |

1. This leads to two different distributions by audit rating: one presented by number of audit reports issued (which includes country office, headquarters, Global Fund, DIM audits conducted and rated by OAI); and the second by amount of expenditure covered by the audits (which includes country office, headquarters, Global Fund, DIM and NIM audits). The two are then compared with the targets for distribution of audit reports according to rating as set in the UNDP Integrated Results and Resources Framework, the tool that has been implemented by UNDP to monitor the progress in achieving its 2018-2020 Strategic Plan. These targets are considered an expression of UNDP risk tolerance in respect of internal audit results (refer to table 4 and 4.1).

**Table 4: Distribution of adjusted audited expenditure for each of the audit types in 2019**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Rating | CO/HQ/GF audited expenditure $ | DIM adjusted audited expenditure $ | NGO/NIM adjusted audited expenditure  $ | TOTAL $ | % |
| Satisfactory  | 422,746,822 | 290,678,830 | 121,188,782 | 834,614,434 | **27.6** |
| Partially satisfactory/some improvement needed  | 721,403,812 | - | 55,630,421 | 777,034,233 | **25.7** |
| Partially satisfactory/major improvement needed  | 1,144,838,527 | - | 55,630,421 | 1,200,468,948 | **39.7** |
| Unsatisfactory  | 136,900,000 | 19,009,234 | 53,911,251 | 209,820,485 | **6.9** |
|  Total  | **2,425,889,161** | **309,688,064** | **286,360,875** | **3,021,938,100** | **100** |

**Table 4.1: Comparison of distribution of audit ratings by audited expenditure and**

**by number of audit reports issued in 2018 and 2019 with UNDP targets**

|  |  |  |  |
| --- | --- | --- | --- |
| **Rating** | **By audited expenditure****(combined CO, GF, HQ, DIM, NGO/NIM)** | **By number of audit reports issued\*****(Rated by the Office)**  | **UNDP** **targets** |
| **2018** | **2019** | **2018** | **2019** | **2018-2019**  |
| Satisfactory | 40.4% | 27.6% | 23.4% | 30.0% | More than 30% |
| Partially satisfactory/some improvement needed | 36.4% | 25.7% | 44.7% | 40.0% | More than 30% |
| Partially satisfactory/major improvement needed | 17.2% | 39.7%[[5]](#footnote-5) | 25.5% | 26.0% | Less than 35% |
| Unsatisfactory | 6.0% | 6.9% | 6.4% | 4.0% | Less than 15% |
| ***Total*** | ***100%*** | ***100%*** | ***100%*** | ***100%*** | ***N/A*** |

*CO = country office; GF = Global Fund; HQ = headquarters; DIM = directly implemented; NGO/NIM = non-governmental organization/nationally implemented*

\*Note: There were 47 and 50 reports rated by OAI in 2018 and 2019, respectively, that were included in the above calculation. The reports include country office, Global Fund, headquarters audits and DIM audits conducted and rated by OAI.

* By audited expenditure: The combined rates of audits with ‘satisfactory’ and ‘partially satisfactory/some improvement needed’ ratings decreased from 76.8 per cent in 2018 to 53.3 per cent in 2019. Additionally, the combined rates of audits with ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’ ratings increased from 23.2 per cent in 2018 to 46.6 per cent in 2019.
* By number of audit reports issued: The combined rates of audits with ‘satisfactory’ and ‘partially satisfactory/some improvement needed’ ratings increased from 68.1 per cent in 2018 to 70 per cent in 2019. Additionally, the combined rates of audits with ‘partially satisfactory/major improvement needed’ and ‘unsatisfactory’ ratings decreased from 31.9 per cent in 2018 to 30 per cent in 2019.
1. The UNDP targets for audit ratings were set in the UNDP Integrated Results and Resources Framework, a tool used to monitor the progress in achieving its 2018-2021 Strategic Plan. The targets pertained to the number of audit reports that should be allocated to the various audit rating categories. In 2019, the percentage of ‘satisfactory’ ratings based on the number of audit reports rated by the Office was 30 per cent, which was just below the UNDP target of more than 30 per cent. The percentages of the remaining three ratings of audit reports (‘partially satisfactory/some improvement needed’, ‘partially satisfactory/major improvement needed’, and ‘unsatisfactory’) were within the UNDP targets.
2. The implementation rate for internal audit recommendations, including long-outstanding recommendations decreased in 2019.
* Implementation rate of audit recommendations: The implementation rate as of 31 December 2019 was 90 per cent compared to 95 per cent as of 31 December 2018.
* Long-outstanding recommendations: There were ten long-outstanding recommendations as of 31 December 2019 compared to four long-outstanding recommendations as of 31 December 2018 and six long-outstanding recommendations as of 31 December 2017.
1. The qualitative nature of the audit and the investigations results was also given due consideration, and these have been included in the annual report.
2. Based on the scope of work undertaken and the adequacy and effectiveness of the UNDP framework of governance, it is the opinion of OAI that the elements of risk management and control covered in the audit reports issued in 2019 were, in aggregate, **‘partially satisfactory/some improvement needed’**, which means that, in the majority of business units or projects audited in 2019 they were adequately established and functioning, but need some improvement.
1. “Unknown” means that OAI could not quantify the loss in the case concerned. [↑](#footnote-ref-1)
2. Only losses to UNDP have been added to this Annex. Losses to other UN agencies in cases of staff members and non-staff personnel from other agencies administered by UNDP as well as losses to other entities such as CIGNA are not considered financial losses to UNDP. [↑](#footnote-ref-2)
3. Net financial misstatement (NFM) (%) converted to OAI Rating:

Unqualified or Qualified and NFM is less < 1% = Satisfactory

Qualified and NFM is from 1% - 1.5% = Partially satisfactory/some improvement needed

Qualified and NFM is from 1.6%-2% = Partially satisfactory/major improvement needed

Qualified and NFM is > 2% or Adverse/Disclaimer opinion = Unsatisfactory [↑](#footnote-ref-3)
4. The NGO/NIM rating system uses three scales (‘satisfactory’, ‘partially satisfactory’, ‘unsatisfactory’). For the purposes of the overall audit opinion calculation, the ‘partially satisfactory’ rating is distributed evenly over ‘partially satisfactory/some improvement needed’ and ‘partially satisfactory/major improvement needed’. [↑](#footnote-ref-4)
5. *Substantial audits with ‘partially satisfactory/major improvements needed’*: Three audits contributed to approximately 71 per cent of the audited expenditure classified as ‘partially satisfactory/major improvement needed’. The three were the country office audit of UNDP in Iraq; the country office audit of UNDP in Yemen; and the performance audit of the early recovery projects Yemen. The combined audited expenditure for these was $854,101,000. The rest of the expenditure with this rating is incurred by eight country offices and one office managing a grant from the Global Fund. The relative size of the expenditure covered in these three audits and the corresponding rating has increased the percentage of audits with ‘partially satisfactory/major improvements needed’ (table 4.1) when comparing the figures for the prior year. [↑](#footnote-ref-5)